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C O N F I D E N T I A L SECTION 01 OF 03 BAGHDAD 001487

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TAGS: [EFIN](#) [PGOT](#) [ECON](#) [PREL](#) [IZ](#) [UN](#)
SUBJECT: IMMUNITIES DEMARCHE DELIVERED

REF: A. STATE 50829
[1](#)B. BAGHDAD 1367

Classified By: EMIN Ambassador Wall, Reasons 1.4 b, d.

[1](#)1. (C) Summary: In response to reftel demarche, Ambassador Hill and other Embassy officials delivered the message on extension of immunities by Executive Order to relevant Government of Iraq officials. Ambassador Hill delivered the message verbally, and by letter (see text at paragraph 8 below). In addition, Embassy officials delivered demarche points to Deputy Prime Minister Issawi, the Prime Minister,s Legal Adviser, the Finance Minister, the Central Bank Governor, and the Bureau of Supreme Audit President. End Summary.

PM Legal Adviser Fadel, Visit Delay

[1](#)2. (C) In a meeting on May 28, Embassy Legal Adviser met with Dr. Fadel Kadhum, the Prime Minister,s Legal Adviser. Dr. Fadel acknowledged the danger to Iraq,s assets if it does not act to resolve outstanding claims. In particular, he noted that some members of Congress have expressed an interest in removing some of the existing asset protections. He agreed that demonstrable progress on resolving American citizen claims against the former Iraqi regime is an important step in the right direction. Dr. Fadel did not provide details on Iraq,s plans to resolve sovereign and commercial debt, though he did accept that they were a problem that needed to be solved. Overall, Dr. Fadel was pleased that DFI and Central Bank protections were extended by the President, but other than by negotiating a settlement of American citizen claims, he did not offer concrete suggestions for resolving outstanding liabilities. Dr. Fadel had planned to lead a team to Washington June 2 to begin claims discussions, but has now delayed that visit, saying that the PM is rethinking composition of the negotiating team. Embassy Legal Adviser has pressed Dr. Fadel to begin negotiations immediately.
Finance Minister Jabr

3.(C) Finance Minister Bayan Baqir Jabr Al-Zubaydi formally thanked President Obama for extending the immunities as transmitted in reftel B. EMIN and Financial Attache on June 3 thanked the Finance Minister for his letter and delivered demarche points. EMIN noted that Dr. Fadel's visit has been delayed, and hoped that the visit will occur soon, as Congress has been applying pressure on the administration to resolve outstanding U.S. claims. Jabr responded that he was unaware of Dr. Fadel's reason for delay, and said that he would call Dr. Fadel to follow-up. Jabr said, "this is an issue that we want to close out." Financial Attache also met with the Minister,s senior advisor, Dr. Aziz Jafaar. Dr. Aziz said he thought that Dr. Fadel,s visit was still scheduled and that the DG of Public Debt was approved to join the delegation. Aziz recognized the importance of settling

these claims and promised to follow up. The Financial Attache Office also has learned from Ernst and Young officials that the Finance Ministry had authorized Rafadin and Rasheed banks to provide information to document any remaining claims against these institutions.

CBI Governor

¶4. (SBU) The Financial Attache presented the demarche to CBI Governor Shabibi. He was very grateful for the extension of immunities and recognized the importance of Dr. Fadel,s trip. He said that the GOI & knows my position well,8 and promised to raise the importance of settling the claims with the GOI.

Bureau of Supreme Audit
QBureau of Supreme Audit

¶5. (C) Anti-Corruption Coordinator and staff (ACCO) made Ref A demarche June 4 to Board of Supreme Audit (BSA) President Abd al-Basit Turki al-Bayati, stressing the need for prompt action by the GOI to resolve its outstanding financial liabilities and claims. Abdul Basit was responsive, saying he fully agreed with the need for the GOI to act expeditiously and expressing regret that it had not done so already. He gave assurances that the BSA would do its part in the GOI,s effort to get its financial affairs in order. However, Abdel Basit (protect) went on to indicate that & others in the GOI8)- which he declined to identify) might well drag their feet in this exercise out of a desire to see the immunities protection prolonged. ACCO responded

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that, to build support for prompt action, we were also demarching, inter alia, the Finance and Foreign Ministries as well as the Central Bank and the Prime Minister,s Legal Adviser.

Foreign Ministry

¶6. (SBU) The issue will be raised with Foreign Minister Zebari soon.

DPM Issawi

¶7. (SBU) EMIN Ambassador Marc Wall passed a copy of Ambassador Hill,s letter to PM Maliki to DPM Issawi during a meeting on June 2, noting these issues may come up during the DPM,s June 6-13 visit to the United States. Issawi noted that that the Prime Minister,s Legal Advisor had been empowered by the most recent Cabinet meeting to negotiate this issue. (Comment: As far as we know, Dr. Fadel has only been empowered to negotiate the settlement of AmCit claims, not sovereign and commercial debt. End Comment.)

Ambassador Hill Letter to PM Maliki

¶8. (SBU) Below is the text of Ambassador Hill,s letter to PM Maliki, dated May 21, 2009.

BEGIN TEXT:

Your Excellency:

It was a great pleasure to meet with you on Tuesday. I look forward to continuing our regular discussions, which give us a good chance to properly review the challenges and opportunities for U.S-Iraq ties.

As we look ahead, addressing some elements of the past will help us build a sound foundation for the future. The United

States strongly supports Iraq in its desire to put the actions of the previous regime behind it. As part of this effort, the United States supported the United Nations Security Council Resolution 1859, which extended arrangements, including protections for the Development Fund for Iraq, for an additional year.

As you discussed recent with President Obama and Secretary Clinton, those protections have been implemented in the United States by an Executive Order that would have expired on May 22 of this year. As I mentioned during our meeting, the President has extended those protections through May 21, 2010. Notably, these protections go beyond what is required by the Security Council, such as by including Central Bank assets. This extension was considered at the highest levels of my government, and demonstrates our continued strong support for Iraq at this crucial time in its history.

Taking the steps necessary to alleviate the need for such immunities and protections is essential for Iraq to demonstrate clearly its sovereignty and good governance, as well as to strengthen financial management capabilities.

These protections offer Iraq a chance to resolve outstanding financial liabilities. The Administration remains under significant pressure from Congress with respect to the claims of American victims against Iraq arising from Saddam-era terrorism and torture. As an example, legislation has again been proposed in the U.S. House of Representatives that would ease the claimants, ability to pursue these lawsuits.

The immunities create uncertainty about Iraq's financial standing and future in the eyes of the international financial community. Making progress on resolving debts and claims will help to improve Iraq's international financial credit rating, which will be crucial for Iraq's ability to access global financial markets in coming years.

A strong and broad effort to settle remaining Saddam-era commercial and sovereign debts on Paris Club comparable terms or better is also in Iraq's interests, and Iraq can continue to count on our support in those efforts. Qto count on our support in those efforts.

We look forward to working with the delegation headed by Dr. Fadel in early June to Washington with the aim of being able to show tangible and demonstrable progress. The American government would appreciate the GOI's commitment to making such progress. In this context, announcing progress on this

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issue during your visit to Washington in June will help to send a positive signal of advancement on this issued.

Sincerely,
//Signed//
Christopher R. Hill

END TEXT.
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